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**report  
of the  
canadian  
economic mission  
to france  
june 6-15, 1966**

Canada

department of trade and commerce, ottawa




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**REPORT**  
of the  
**CANADIAN ECONOMIC MISSION TO FRANCE**



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## **PREFACE**

The Canadian Economic Mission to France was an outcome of the decision taken by the President of the French Republic and the Prime Minister of Canada in 1964 to take all possible steps to establish closer relations between the two countries, including relations in the fields of technical co-operation, investment and trade. The proposal to form the Mission was first put forward by the Canadian Secretary of State for External Affairs, the Hon. Paul Martin, after consulting the French Government in December 1964.

Prime Minister Pearson referred to the Mission, in his announcement in May 1966, as being "in keeping with the Government's policy of developing closer economic relations with France". Mr. Pearson declared the aims of the Mission to be as follows:

"It will examine and report on prospects for closer relations between the Canadian and the French business communities. In particular, it will identify industries and other areas of business activity where there are opportunities, on a reciprocal basis, for closer relationships, particularly through the exchange of technical information, investment and links between like-minded organizations in each country".

### **Composition of the Mission**

The Mission was organized by the Hon. Robert H. Winters, Minister of Trade and Commerce and led by the Hon. C. M. Drury, Minister of Industry. Its membership was drawn from federal government departments and agencies and from the private sector of the Canadian economy. It included leading Canadian businessmen from banking and investment companies, from agriculture, construction, power generation and distribution, publishing, metals and mining, forest products and secondary manufacturing—aerospace, avionics, communications, electronics, chemicals and fertilizers, milling, papers and textiles and a university professor of economics.

**The membership of the Mission was as follows:**

Hon. Charles M. Drury, M.P.,  
Minister of Industry,

Leader of the Mission

Jean-Charles Cantin, M.P.  
Secrétaire Parlementaire du  
Ministre du Commerce  
Ottawa, Ontario

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President  
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527 King Street  
Fredericton, New Brunswick

J. H. Warren  
Deputy Minister  
Department of Trade & Commerce  
Ottawa, Ontario

S. E. M. Jules Léger  
Ambassadeur du Canada en France  
Membre, ex officio

\*On account of the special position of the Bank of Canada and the Economic Council, it was not considered appropriate for Mr. Hébert and Mr. Couillard to participate in the recommendations in the Report.

## PART I

### INTRODUCTION

The Canadian Economic Mission was cordially received by the French Government and by leaders of French business and industry. After being welcomed by Mr. Raymond Marcellin, Minister of Industry, the Mission was officially received on behalf of the Government by Mr. Charles de Chambrun, Secretary of State for Foreign Trade.

Mr. Wilfrid Baumgartner, former Minister of Finance and President of Société Rhone-Poulenc, was Chairman of a Special Committee of French officials, executives of Government agencies and leaders from business and industry, which met with the Canadian Mission. Previously, in October 1962, Mr. Baumgartner had led a high level Mission of French businessmen to Canada. Among the principal French organizations represented on the Special Committee chaired by Mr. Baumgartner were the National Centre for Foreign Trade—Centre National du Commerce Extérieur (C.N.C.E.), the Federation of French Industry—Conseil National du Patronat Français (C.N.P.F.), the Paris Chamber of Commerce and Industry and the France-Canada Chamber of Commerce.

The Hon. C. M. Drury, Leader of the Canadian Mission, was received by the Prime Minister, Mr. Georges Pompidou, and held discussions with the following Ministers: Foreign Affairs, Mr. Maurice Couve de Murville; Armed Forces, Mr. Pierre Messmer; Economy and Finance, Mr. Michel Debré; Industry, Mr. Raymond Marcellin; the Minister responsible for Scientific Research and Atomic & Space Questions, Mr. Alain Peyrefitte and Mr. Charles de Chambrun. Various members of the Mission accompanied Mr. Drury for a number of these meetings.

The Mission wishes to express its gratitude to the French authorities and to all those who assisted in arranging the Mission's visit and who participated in the many discussions that made this report possible. The Mission thanks the Centre National du Commerce Extérieur for the great pains taken in organizing an excellent programme and is grateful for the part played in this regard by the French Ambassador to Canada and his Commercial and Financial Counsellor.

The Mission was warmly received by all whom it met and wishes to record its appreciation of the generous hospitality that was extended to it throughout the visit.



## PART II

### WORK PROGRAMME

Following an introductory general meeting with French representatives led by Mr. de Chambrun, Secretary of State for Foreign Trade, the Mission programme continued with meetings of Committees on Investment and on Technological Exchanges/Industrial Research. A series of discussions then took place in smaller groups as follows:

- Banking and Finance
- Commercial Exchanges
- Links between National Organizations
- Economic Planning, Productivity and Regional Development
- Electronics and Electric Power; Aerospace and Avionics.

Individual interviews were arranged with a number of French Government services, French industry associations or private firms concerned with—chemicals and fertilizers, communications, construction, metals and mining, milling, publishing, pulp and paper, transportation, and vegetable oils.

Some seventy meetings, collective or individual, took place during the eight working days of the Mission's visit. Personal contact was made with approximately 500 representatives of Government, business and industry.

In the Paris area, groups visited a modern thermal power plant, two important factories producing electronic and communications equipment, an electrical research laboratory, an aircraft plant, and France's largest automobile factory.

Special parties visited two projects outside Paris: the tidal-power plant on the Rance River near St. Malo, Brittany, and the Aerotrain (air-cushion train) at Gometz, South of Paris. The Mission visited the nuclear power station of the State-owned power system, Electricité de France, at Chinon in the Loire Region.

In addition to the working sessions, discussions took place at official luncheons or receptions given for the Mission by Mr. de Chambrun, Mr. Marcellin, Mr. Debré, the Centre National du Commerce Extérieur (C.N.C.E.), the Conseil National du Patronat Français (C.N.P.F.), the Paris Chamber of Commerce and Industry, the Chamber of Commerce France-Canada and Electricité de France. H.E. Mr. Robert Bordaz, the Commissioner General for France to Expo 67, and Mr. Jean Chapdelaine, Délégué Général du Québec, also received the Mission. The Mission was entertained also by prominent private associations and companies, including Canadian firms located in France. The Mission greatly appreciated the opportunity these occasions gave to become acquainted on a personal basis with French business and industrial executives.

The Mission, as guests of the French Government, had the opportunity to visit the "departments" of Loir-et-Cher, the Seine and in the Loire Valley during the weekend of June 11th. The arrangements made for this visit and the hospitality received were particularly appreciated by the Mission.

Members were impressed by the keen interest shown by French official and business circles in the Mission and its objectives and by the high calibre of the discussions throughout. They were encouraged by the view broadly held in France that there should be much closer commercial, industrial and financial links between the two countries.

The Mission considers that its visit was timely and opportune and that the time is ripe, in the interests of closer economic relations with France and the further development of trade between the two countries, to examine the contribution that can be made to these objectives through greater technological collaboration through two-way investment and the establishment of direct links between private associations with like interests in the two countries.



### **PART III**

### **FINDINGS OF THE MISSION**

#### **Economic Development**

Members of the Mission noted that both the French and Canadian economies have high growth objectives. France's Fifth National Plan (1965-1970) calls for an average annual increase of five per cent in the country's total production of goods and services. This compares with a target rate of 5.5 per cent to 1970 recommended by the Economic Council of Canada. Achievement of such rates of growth should ensure a solid foundation for the improvement of trade and financial relations and technical exchanges between the two countries.

While noting the many differences in the approach to economic planning in France and in Canada, members of the Mission had a useful exchange of information and views on the policies and programmes adopted in both countries, with respect to a number of common problems. These include problems of improving productivity and of attaining and maintaining price stability, the fundamental need to raise education and training at all levels of the labour force; the challenge of minimizing persistent economic disparities between main regions in both countries; and the growing importance and urgency of a complex of problems relating to the increasing urbanization and the high degree of concentration of the economy in the major metropolitan areas.

#### **Exchange of Technology**

In both France and Canada there is a marked awareness of the importance of advanced technology for productivity, competitiveness and trade, and of the dangers of neglecting research and development in an era in which technological change is both more rapid and more critical to relative efficiency than ever before. In a world in which most countries cannot expect to be technological leaders on all fronts there is a case for collaboration and specialization on an international basis to achieve improved allocation of resources and the gains inherent in trade. This is the more so in view of the high research costs and investment required in respect of innovation in most major industrial sectors.

France and Canada each possess areas of industrial activity in which technological advance is the key to growth. Each government has introduced measures to encourage both pure and applied research.

The Mission is of the view that advantage could flow to both France and Canada from a greater awareness of what each is doing in the area of scientific and technological advance and considers that the measures necessary for this purpose should be studied, elaborated, and put into practice, as appropriate, by both the governmental and private sectors of the two countries.

In this regard the Mission considers:—

- 1) That the possibilities of advantageous exchange of technological development between France and Canada have not to date been fully explored, nor have the opportunities for collaboration, direct exchanges of qualified personnel, joint industrial research programmes, mixed projects and licensing arrangements been adequately exploited;

The Mission recognizes that in certain areas, the nature of international competition, or of inter-company arrangements, or of particular national interests may, at any given time, set limits to what may be capable of achievement through cooperation in the field of industrial research and technology. It considers, however, that such limits, which may vary from sector to sector, should not impede close examination of the areas susceptible of yielding mutually beneficial results through each country taking advantage of the knowledge and know-how being developed in the other;

- 2) That reciprocal technological and research awareness and in particular joint or complementary programmes can provide a basis for cross investment in the two countries on a profitable basis both with respect to development of the domestic market and in world trade;
- 3) That while recognizing the contribution to growth and productivity which can be obtained through royalty, licensing, and like agreements, through which existing technology can be applied in the other country, the emphasis, in the dynamic circumstances of current technological advance, should be on collaboration at the earliest possible conceptual stage of research and development. If occasions for collaboration are not defined before national or industry programmes are established, it can often be too costly, too difficult or involve too much delay to introduce joint projects or to take advantage of complementary programmes;
- 4) That whereas the exchange of information on scientific and research and development progress is and will remain most important for the dissemination of knowledge and up-to-date information as to industrial applications, the field is so broad and production is increasingly so specialized that much more immediate and intimate contact is required if the range of possible research and development collaboration between France and Canada is to be more fully exploited and timely arrangements for cooperation put in hand;
- 5) That there is scope for considerable further development of personal contact between executives and operational personnel in research and development in many industrial sectors of the two countries;
- 6) That technological cooperation is more easily developed and the possibilities of beneficial exchanges and growth of trade increased in areas where common industrial standards are applied in the two countries.

#### **Investment and Banking Relations**

In modern developed countries such as Canada and France capital investment plays a central role both in the growth of the economy and in relation to current and future trade. Consistent with the maintenance of stability, both countries encourage investment in the development of their resources, to stimulate balanced regional development and to favour technological and scientific progress. Canada is a major net importer of capital and there is a growing interest in the private sector in France in the possibility of profitable investment in Canada in the basic material, manufacturing, construction and financial sectors. A number of Canadian companies have also found it desirable to invest in France. Although the availability of capital in the two countries is currently limited in relation to development needs, the Mission considers that there is scope for an expansion of investment between the two countries, and that such cross-investment would make a significant

contribution to the growth of trade and other economic relations between France and Canada.

The Mission draws attention to the following factors which favour two-way investment between France and Canada:

- 1) Political stability in both countries and historic links between them;
- 2) Positive attitudes in both countries to the role which investment plays in sound economic growth;
- 3) Government incentives to capital investment in particular sectors of industrial activity or to favour balanced regional development;
- 4) In the case of France, a growing domestic market, and access to the market of the European Economic Community, and associated countries and areas;
- 5) In the case of Canada, a growing domestic market, proximity to the United States market and preferential access to many Commonwealth markets;
- 6) In Canada the availability of as yet undeveloped natural resources.

The Mission noted that there are significant differences in the organization of financial markets in the two countries and in the degree of government regulation with respect to new investments. It considered, therefore, that prospective investors should ensure that they are fully familiar with the framework of foreign and domestic investments in France and Canada when considering investments there. In France, foreign investment requires approval and certain sectors of vital national interest are reserved for domestic development. The Mission was informed of the procedures to be followed in making a direct investment in France (Annex 2) and for its part explained the Guiding Principles of Good Corporate Behaviour for Subsidiaries in Canada of Foreign Companies, set forth by the Hon. Robert H. Winters, Minister of Trade and Commerce of Canada, on March 31, 1966, copies of which were made available.

The Mission draws attention to the assistance which the various financial institutions in the two countries can offer to the prospective investor in either France or Canada and noted with satisfaction the growing relations between such institutions in the two countries.

### **Canada-France Trade**

France and Canada are respectively the fourth and sixth greatest trading countries in the world. However, each accounts for only about one per cent of the imports of the other, a smaller proportion than for many less important trading nations. While exports of neither country to the other have as yet exceeded the level of \$100 million per annum the growth trend of recent years has been favourable. French sales to Canada have increased about fourfold from 1955 to 1965, while Canadian sales to France have more than doubled in the same period. In 1965 France had a small trade surplus with Canada, while in other recent years she experienced a small deficit.

A number of factors, some historic, some structural and some reflecting residual barriers to trade, explain the relatively low level of the exchange of goods between Canada and France. Certain of these factors, for example France's relatively high degree of self sufficiency in food and certain materials and Canada's natural trade

linkage with the U.S.A. markets are likely to persist in the future. Others, such as the level of tariff and non-tariff barriers to trade may be expected to diminish in the course of trade negotiations. The increasing size and affluence of the two markets, the development of Canada's manufacturing export capacity and the rising proportion of international trade actually taking place between sophisticated economies are other positive factors for the future.

Given the size and diversity of the two markets, growing world demand for materials, as well as the mounting world exchange of manufactured products and specialties, the Mission is of the view that there is major scope for growth in the level of trade between France and Canada. This scope will be even greater should, as is hoped by both countries, the current round of multilateral trade negotiations in Geneva yield a substantial reduction in tariff and non-tariff barriers to trade. Both Canada's and France's positive interests in this regard were stated authoritatively and on numerous occasions during the Mission's visit in France.

The Mission was able to confirm the stated desire of the French Government to see an expansion of two way trade with Canada and to affirm that this also was the desire of the Canadian Government. The Mission considers that trade between the two countries could be stimulated and increased if action were taken along the following lines:

- 1) Continued pursuit by both countries of policies favouring sound economic growth;
- 2) Maintenance and fuller development of liberal commercial policies by France and Canada;
- 3) The development in each country of investment opportunities by investors in the other, where this is practicable and promises to be profitable;
- 4) Intensified trade promotional efforts by the authorities of the two countries to acquaint their exporters, producers and manufacturers with the market opportunities existing in the other country and to help them exploit such opportunities.

## **PART IV**

### **RECOMMENDATIONS**

The Mission makes the following recommendations under the main headings of its terms of reference:

#### **A-Technological Exchanges**

The Mission recommends consideration of the following measures to facilitate technological and scientific exchanges and achievement of the economic benefits that can derive therefrom:

- 1) Continuing means should be developed to ensure that adequate knowledge exists in the two countries of the scientific and technological achievements of the other, and most important, of the current and prospective direction of their development activities;
- 2) Within each country existing arrangements for the dissemination of scientific and technological information, whether by governments, universities, national organizations, industry associations or otherwise, should be reviewed to ensure that scientific or technical information available from either country reaches those in the other to whom it can be most useful;
- 3) Appropriate priority should be given by industry and as applicable by governments in the two countries to the exchange of scientists, laboratory technicians, young engineers and students, and of visits by them;
- 4) Scientific Counsellors at the respective Embassies in Paris and Ottawa could assist in stimulating and in keeping under close review the adequacy of the flow of technological, as well as scientific information between the two countries and to make recommendations to their respective governments on necessary improvements;
- 5) Consideration should be given to the establishment of formal relationships between industry associations in the two countries for the purpose of multiplying personal contacts, technological exchanges and cross licensing arrangements in the field of advanced technology.

The Mission believes that such relationships would be particularly useful between, for example, the Fédération Nationale des Industries Electroniques of France and the Electronic Industries Association of Canada, and between the Syndicat Général de Constructions Electriques and the Canadian Electrical Manufacturers Association.

#### **B-Investment and Banking**

The Mission recommends that:

- 1) consideration be given by the relevant institutions, associations and those directly concerned, to the provision of up-to-date information about the progress of investments by one country in the other with a view to developing greater knowledge of the kind of opportunities that exist and stimulating greater contact between those seeking investment and those seeking to invest in the two countries;



- 2) "mixed" ventures in which French and Canadian capital and "know-how" join together, should be encouraged.

### **C- Canada-France Trade**

The Mission recommends in particular that:

- 1) Efforts be made by the two governments and by industrial, trade, financial and other associations to encourage businessmen in each country to visit and to come to know on a personal basis their opposite numbers in the other country and to examine commercial, investment and trade opportunities;
- 2) Consideration should be given in both countries to the development of arrangements whereby companies already established as exporters in the French or Canadian markets might on the basis of mutual advantage undertake, through their own distribution systems, to help market suitable products of other national exporters, thus achieving economies of marketing costs and aiding in market penetration;
- 3) Consideration should be given by the private interests concerned in both countries to arrangements whereby an existing domestic national producer and distributor might agree, on a basis of mutual advantage, to undertake the marketing of a suitable product of an exporter from France or Canada, as the case may be;
- 4) Joint ventures promising an increase of trade in either direction should be encouraged;
- 5) Export associations in the two countries consider the usefulness of employing seminars, information programmes and other techniques to convey to new or potential exporters to France or Canada the experiences, lessons learned and techniques developed to penetrate these markets successfully;
- 6) The senior official France/Canada Economic Committee should meet regularly to review progress in the development of exchanges between the two countries and to facilitate the solution of problems of access or of other trade impediments that may arise from time to time.



#### **D-Other Recommendations**

The Mission finally recommends that:

- 1) Industrial associations in Canada should give consideration, as appropriate and mutually advantageous, to the establishment of continuing contacts with representative French industry associations in their respective fields (see also A 5, above);
- 2) Noting that in France the Conseil National du Patronat Français (C.N.P.F.) has for many years included a special organization, the Comité Franc-Dollar and that in Paris there is a special Chamber of Commerce France-Canada and noting further that the C.N.P.F. has agreed to the setting up within the Comité Franc-Dollar of a Committee to be concerned uniquely with relations between members of the Patronat and Canadian businessmen, that national Canadian business organizations should favourably consider and enter into relationship with the Franco-Canadian groups established or to be established in France;
- 3) Advantage should be taken of the announced intention of the Commissioner General, French Section of the 1967 Universal and International Exhibition in Montreal to organize special conferences of industrialists (see Annex 6) during the course of Expo 67, to ensure that Canadian industrialists take full advantage of this unique opportunity for the development of relations with France in areas of particular importance to them;
- 4) In the interest of the further development of economic relations between France and Canada, the Canadian Government should consider the means available to it to facilitate the carrying out of the Mission's recommendations;
- 5) Canadian industrial, financial, professional and other business organizations should consider what initiatives could be taken by them to this same end;
- 6) This report be brought to the attention of Provincial Governments, the French authorities and appropriate Canadian and French institutions and business organizations.
- 7) In submitting this report the members of the Mission wish to give assurance of their continuing interest in the further co-operative endeavours which they trust will flow from the Mission's visit to France and from its recommendations.

The Mission wishes to express its gratitude to the Conseil National du Patronat Français (C.N.P.F.), the Comité Franc-Dollar and the Chamber of Commerce France-Canada for their proposal to provide machinery for the implementation in France of various of the proposals contained in this report.

The Mission is equally grateful to the Centre National du Commerce Extérieur (C.N.C.E.) for their announced intention of organizing meetings between French and Canadian businessmen for the purpose of following up various findings and recommendations contained herein.





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